

Subject: ALTERNATE RETIREMENT PROGRAM (ARP)

REFERENCES	SECTIONS
Law & Regulation http://www.dpa.ca.gov/statesys/dpa/laws.htm http://www.dpa.ca.gov/statesys/dpa/oalrules.htm	GC: 19999.3, 19999.5, 20303, 20340, 20822, 20824, 20894, 21060, 21070.5, 21547, 22874, 22875, 22877, 20281.5, 20908
Memo of Understanding (MOU) http://www.dpa.ca.gov/collbarg/contract/bumenu.shtml	Refer to Employee's MOU
Responsible Control Agency and Program	Department of Personnel Administration
SPB/DPA Policy Memos http://www.dpa.ca.gov/statesys/dpa/src/hfpml.shtml	PML: 2006-017, 2004-040, 2004-052, 2004-073
Other:	
Alternate Retirement Program Fact Sheet http://www.dpa.ca.gov/general/ARPFactSheet.pdf Senate Bill 1105 (03/04 session) http://www.leginfo.ca.gov/pub/bill/sen/sb_1101-1150/sb_1105_bill_20040811_chaptered.pdf ARP Eligibility Worksheet Activity Based Management System (ABMS)	

Alternate Retirement Program (ARP)

Overview

Effective August 11, 2004, new eligible employees will **not** contribute to CalPERS for a period of 24 months after their eligibility date. Instead, these employees will contribute to the ARP for this period allowing them to save for retirement. There will be no employer contribution to either plan during this period of time. CalPERS membership will be established even though no contributions will be reported to, or service credit earned, during the ARP period.

The ARP will provide a retirement savings plan in lieu of a retirement benefit under California Public Employee's Retirement System (CalPERS) during the first 24 months of an ARP member's state employment. The ARP will be administered by the Department of Personnel Administration (DPA) Savings Plus Program.

On the first pay period of the month following 24 months from the employee's CalPERS qualification date, both the employee and employer must begin making contributions to CalPERS and contributions to the ARP will cease. Non-qualifying pay periods do not impact this 24 month period.

ARP eligible employee

ARP is mandatory for new State employees whose employment meets specific conditions:

- Included in the definition of "state employee" under Government Code (GC) Section 19815
 - Qualify for CalPERS membership as a state miscellaneous or state industrial member
 - First employed by the state on or after August 11, 2004
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Alternate Retirement Program (ARP), Continued

Employees excluded from ARP

- A person who is employed (or reemployed) after August 11, 2004, and is a current or prior member of CalPERS
 - A person first employed by the state on or after August 11, 2004, but whom, within the prior six months, was a member of a CalPERS' reciprocal retirement system (refer to the CalPERS State Handbook (<http://www.calpers.ca.gov/index.jsp?bc=/about/resource-library/mbr-ret-orgs.xml>) for a current listing of CalPERS' reciprocal retirement system members
 - A person employed on a visa and not coordinated with Social Security (non-resident aliens working under the provisions of a F-1, J-1, M-1, or Q-1 visa and performing services to carry out the purpose for which they were admitted to the United States)
 - A person employed by the California Highway Patrol as a cadet at the department's training school established pursuant to Section 2262 of the Vehicle Code
 - Employees who are members of the Judges Retirement System, the Judges' Retirement System II, the Legislators' Retirement System, the State Teachers' Retirement System, or the University of California Retirement Plan
 - Employees of California State University and the state legislative and judicial branch
 - Persons appointed as State Safety, State Patrol, or State Peace Officer/Firefighter
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ARP contribution amount

- The contribution to ARP will be 5% of compensation in excess of \$513 of the employee's monthly pre-tax pay.
- ARP contributions will appear on the employee's payroll earnings statement and direct deposit statement as 'Retirement.'
 - Contributions will be deposited into a 401(a) Plan administered by the DPA's Savings Plus Program.
 - ARP participants will receive an annual ARP statement for the period ending June 30 of each year.
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Employee notification

ABMS automatically adds the ARP end date for employees in retirement codes 'TK' or 'TP' upon their current hire date. A daily process then launches alerts to employees, their supervisors, attendance clerks and the personnel specialists as shown below.

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Alternate Retirement Program (ARP), Continued

Employee notification (continued)

ARP participants transferring to DGS from another State agency will not be detected in ABMS. Therefore, the personnel specialist is required to calculate the adjusted ARP end date and correct it manually in the employee's ABMS record.

This is to notify you that you have completed the required 24 months in the Alternate Retirement Program (ARP) effective [ARP End Date} and are now being transitioned into the CalPERS Retirement Program.

You should have already received an ARP Account Closure Options form from the Department of Personnel Administration (DPA) regarding the disposition of your ARP account funds. This form is due back to DPA within 90 days of your ARP end date. If you have not received this form, please contact the DPA Savings Plus Program at (916) 324-2909. For more information, please refer to DPA's website at <http://www.dpa.ca.gov/spp/ARPMain.shtm>.

Please do not reply to this alert as it was sent through an automated system. If you have any questions, please contact your office attendance clerk.

ARP account closure

Employees who participate in the ARP will be able to make an election to purchase service credit or receive lump sum distribution with their ARP assets. The election period begins the first day of the 47th month after their CalPERS membership qualification date and ends no later than the last day of the 49th month. If employees do not make an election, the ARP assets will be automatically transferred to a Savings Plus 401(k) Plan established for them. The options are:

1. Transfer all funds into the ARP account to CalPERS to buy retirement service credit for the time they were enrolled in ARP.* The State would fund the portion of the liability not paid for by their ARP account.

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Alternate Retirement Program (ARP), Continued

ARP account closure (continued)

2. Receive a lump-sum distribution of all funds in their ARP account, which may subject you to tax penalties for early withdrawal.
3. Transfer all funds in their ARP account to a 401(k) account with the Savings Plus Program (SPP). If they already have an SPP 401(k) account, their funds will go here; if not, SPP will set up a 401(k) account for them. **This option requires no action on their part; it happens automatically if they don't submit a form to ARP during the three-month period described above.**

*If the employees opt not to purchase the service credit during this three month period they remain eligible to purchase it in the future. However, purchasing it after the three-month period has elapsed means they will be responsible for funding the total cost of the service credit (i.e., both the employee and the employer share of costs).

Separated employees

Employees enrolled in the ARP who terminate from State service have the ability to request a distribution of their ARP account. A cover letter and the Benefit Payment Booklet will be given to the employee at the time of separation; click on the following link to view the documents described above <http://www.dpa.ca.gov/spp/ARPSeparatedApplication.pdf>.